

# DEALING WITH DEBT

YOUR RIGHTS AND  
RESPONSIBILITIES  
IN MINNESOTA



MINNESOTA LEGAL SERVICES COALITION

The laws talked about in this booklet change often, so be sure to check for changes. This booklet only gives general rules which may or may not apply to your situation.

For legal advice, contact a lawyer. If you have a low income and need legal help, call your legal aid office at 1 (877) 696-6529 or look for help from other programs at [www.lawhelpmn.org/providers-and-clinics](http://www.lawhelpmn.org/providers-and-clinics).

If you have a low income, you can get a free copy of this booklet from your local Legal Services office.

You can also see booklet info

- Online at [www.LawHelpMN.org](http://www.LawHelpMN.org) to view or print out.
- Purchase a printed booklet for \$7.48 (which includes applicable sales tax, postage, and handling) by going to [www.mnlegalservices.org/orderbooklets](http://www.mnlegalservices.org/orderbooklets)

If you have questions about ordering a booklet, email us at [statesupport@mnlegalservices.org](mailto:statesupport@mnlegalservices.org).

For free information about this and other civil legal topics, visit [www.LawHelpMN.org](http://www.LawHelpMN.org).

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## What This Booklet Is About

Most families face debt at some time or another. Losing a job, losing public assistance benefits, sudden medical bills, or divorce can push a family into debt. There are many ways businesses try to collect debts. Two of the most common ways are using a debt collection agency and filing a lawsuit. These methods are talked about in this booklet.

Debt collectors often use pressure tactics that can make a stressful situation worse – and sometimes are against the law. This booklet helps families struggling with debt by explaining consumer rights and giving resources that might help.

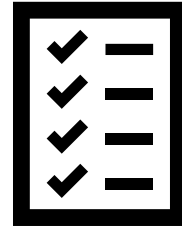
This booklet is a brief guide and is not meant to answer all legal or financial questions.

If you are facing foreclosure, eviction, or repossession of property you should look for legal advice and financial counseling.



## CHAPTER 1 You Can Get Help Managing Your Debts

Sometimes families find that their debts are more than they can afford to pay. Not paying some debts can cause greater problems than not paying others. For example, if you don't pay your rent, you can be evicted. When there just isn't enough money for all your expenses, there are people who can help manage debts and work with debt collectors.



There are several agencies in Minnesota that have been helping people manage their debts for years. For example, you can get help from a consumer credit counseling service like

- [Family Means](http://www.familymeans.org) at 651-439-4840 or 1-800-327-3203 or [www.familymeans.org](http://www.familymeans.org)
- Lutheran Social Service at 1-888-577-2227 or [www.lssmn.org](http://www.lssmn.org).

If you choose a different one, make sure to find out if the counseling agency is a member of a major association, like the National Foundation for Credit Counseling ([www.nfcc.org](http://www.nfcc.org)). Being a member means they meet quality and ethical standards and that the credit counselors are well-trained.

If you are being sued or believe you have a good reason not to pay, contact your Legal Aid office for help at 1-877-696-6529.

**Be careful who you ask for help!** Many businesses advertise that they want to help you get out of debt but are just trying to take your money. They don't follow through on any of the services or results they promise. See Chapter 11 for more information.

Don't listen to debt collectors when you are trying to figure out which bills to pay. Don't let them scare you into making a bad decision. Don't mortgage your home to pay your debts. The law protects many types of income and assets from debt collectors (more on this in Chapter 5). Talk to a lawyer to see if you are at risk.

Call a Credit Counseling agency to help you get things back on track.



### Types of Businesses that Collect Debt

If you owe money to a business that gave you credit or that you bought something from and they try to collect the money from you yourselves then they are a **creditor**.

Sometimes a creditor hires another company to collect the debt for them. A person or company that collects debts owed to

other companies as a part of their regular business is called a **debt collection agency**. If a lawyer regularly collects debts for others the law treats the lawyer like a debt collection agency too.

If a creditor decides that they don't want to deal with a debt anymore, they might sell the debt to a **debt buyer**. Debt buyers pay a little to the creditor in hopes of making money by collecting more from you. They can try to collect the debt from you themselves or hire a debt collection agency to do it.

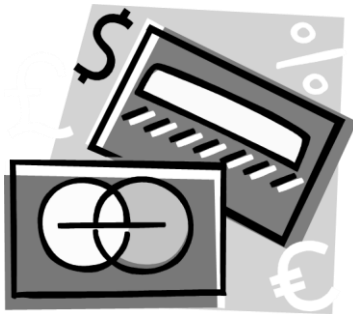
This area of law is complicated. Some laws apply to all of these businesses and some apply to only certain ones. In this booklet, we use the term **debt collector** to refer to any of these. We will tell you when a law applies only to one kind of business.

If you think that you need to know which kind of debt collector is contacting you and you're not sure, reach out to a lawyer or credit counseling agency for help.

## CHAPTER 2 - Credit Cards

Using a credit card is borrowing money at a very high interest rate.

Ignore temporary "teaser" rates. A "teaser" rate is a very low interest rate offered for a short time that automatically goes up. If you use the card when the interest rate is low and don't pay it off right away, you have to pay it back at the much higher permanent rate.



### Other Things to Consider

Check if the card offers a "grace period." A "grace period" means no interest charges if you pay your account in full before the due date. Some cards charge you interest from the date you use your card to make a purchase.

Find out if the company charges an annual fee for the card. An annual fee is a price you pay to the credit card company once a year to keep the card open. Annual fees can run from \$25 to \$100 or more.

Read the terms carefully to see if the company raises your interest rate if you make a late payment.

Make sure you also look at other charges like

- transaction fees (often charged when you use the card to get cash, called a cash advance)

- late charges
- over-the-limit charges (when you spend more than the card allows)

## Should You Cancel Your Credit Card?

If you have a credit card with a high interest rate, transaction fees, an annual fee or no grace period, think about cancelling the card. You can cancel a credit card at any time, but you still have to pay any money you owe.

## Keeping Credit Card Debt Low

- Try to pay off the total balance each month.
- If you can't pay it off, try to pay *more* than the minimum payment.

Sometimes the minimum payment doesn't even cover the amount of interest you are being charged each month. The minimum payment is set too low to pay down the debt, so the amount you owe keeps growing.

- Pay one card off at a time. Pay as much as you can. The more you pay, the sooner you can pay off the card. Then go on to another.
- Carefully check your statement each month to look for mistakes and charges that are not yours. If your credit card is lost or stolen and someone else makes charges, the most you have to pay is \$50, under the Truth in Lending Act.
- Make your payments on time. If your payment is late, the card charges a late fee. Many cards raise the interest rate if the payment is late.
- Avoid special services and programs offered by credit card companies. These are things like credit card fraud or loss protection and life insurance. Most of these services are a bad deal. They usually cost a lot and are not needed.
- Check to make sure your credit card company has not added a service you don't want.

## Getting Credit Reports

At least once every 12 months you can get a copy of your credit report for free from each credit reporting bureau (Transunion, Experian and Equifax). Sometimes you can get a free copy more than once a year. See the "Credit Reports" fact sheet at the end of the booklet for more



information.

## **CHAPTER 3 - Your Rights under the Fair Debt Collection Practices Act**

The **Fair Debt Collection Practices Act (FDCPA)** is a federal law that protects you from abusive practices by debt collection agencies. Minnesota has a state law that includes all of the protections of the FDCPA and other protections too. All debt collection agencies doing business in Minnesota have to follow it.

Debt collection agencies **can't** harass or abuse you.

Businesses you owe money to who are directly collecting their own debts, such as department stores or credit card companies, are **not** covered under the FDCPA.

### **Written Notice**

Within 5 days of its first call or letter to you, the debt collection agency has to send you a written notice. The notice has to include

- the amount of your debt
- the name of the company that you owe
- a sentence telling you that they assume the information is right unless you disagree in writing within 30 days

### **Disputing a Debt**

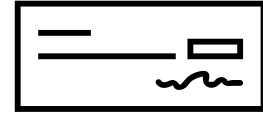
**If you disagree with the notice about your debt, send a letter to the debt collection agency within 30 days.** If you send this letter, the debt collection agency **has to stop** trying to collect it until they send you proof of the debt.

### **Payment Plans**

If you do owe the debt, you may be able to set up a payment plan to take care of it. Many creditors are satisfied with a small payment, if it arrives regularly. Ask them for a payment plan. Some creditors freeze or reduce the interest charges if you start making payments which gets the debt collection agency off your back. If you make any kind of deal, try to get it in writing. If nothing else, write it down in a letter to the creditor. **Always keep a copy.**

## Paying on Multiple Debts

If a debt collection agency is collecting on more than one debt, you can choose which debt your payment goes toward. You can't choose to have your payment applied to a debt you are disputing.



## Post-Dated Checks

Never give anyone a post-dated check (a check with a later date on it). A debt collection agency is allowed to ask for one, as long as they don't cash it before the due date. But it is not a good idea to give them one. If it does get cashed, you end up bouncing a check.

## Stopping the Calls and Letters

You can stop the debt collection agency from calling you or writing to you by sending them a letter called a Cease & Desist letter. Your letter should ask them to stop calling and writing to you or it can tell them that you are refusing to pay the bill.

A sample Cease and Desist letter is at the end of this booklet. This letter is only an example.

Every situation is different. Make sure your letter is right about your situation. Maybe you don't owe what they claim. Maybe you owe but can't pay. The most important thing is that your letter is in your own words and says, "Stop contacting me."



- Use the sample letter to write one about your situation.
- Date your letter.
- Sign it.
- Make and keep a copy for yourself.
- Send your original letter to the debt collection agency.

If you can, send the letter by Certified Mail with a return receipt. A return receipt proves that the debt collector got it. The Post Office can help you.



You can also [create a Stop Contact letter online](https://www.lawhelpmn.org/self-help-library/legal-resource/stop-contacting-me-about-debt-letter-creditors-do-it-yourself). This is a step-by-step form-helper that lets you print out a finished letter at the end. You can find it at <https://www.lawhelpmn.org/self-help-library/legal-resource/stop-contacting-me-about-debt-letter-creditors-do-it-yourself>

After getting your letter, the debt collection agency can only call or write to you to tell you what legal action they plan to take.

**Remember, this doesn't give you the right to ignore court papers.** For example, if you get a letter called an Order for Disclosure saying you have to tell them what money and assets you have, you have to respond. If you don't, you could face fines or jail time for contempt of court.

## What is abuse and harassment?

In general, a debt collection agency can't contact other people and tell them about your debt. They can't tell your employer, co-workers, neighbors, parents, relatives, or friends about your debt.

If they need your home address, work address or phone number they can call people to ask for it. But they **can't** say that you owe money. They **can't** say that they work for a debt collection agency unless they are asked.

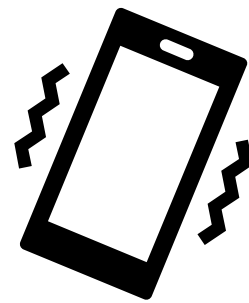
It is illegal for debt collection agencies to

- use obscene or abusive language
- call before 8:00 a.m. or after 9:00 p.m.
- call you at work if they know your employer doesn't allow personal calls
- accept cash without giving you a receipt
- threaten you with criminal prosecution
- contact you directly if they know you have a lawyer
- make a letter look like it is from the government, the court or a lawyer
- fail to give you the full name of their agency
- threaten to take any legal action that they do not really plan to take
- give you legal advice, like "You have no legal defense to this debt."

## Enforcing Your Rights

If you think a debt collection agency is breaking the law, keep careful records of your contacts. When they call, write down the following

- the date
- the time
- the name of the caller
- and what was said



You might be able to take the debt collection agency to court. Usually, you need to start the lawsuit within 1 year. Call a lawyer or your local legal aid office at 1 (877) 696-6529.

To make complaints about debt collection agencies, write to

Office of Minnesota Attorney General  
445 Minnesota St Ste 600  
St. Paul, MN 55101  
(651) 296-3353 or 1-800-657-3787

MN Department of Commerce  
85 7th Place East, Suite 280  
St. Paul, MN 55101  
651-539-1600 or 1-800-657-3602

MN Dept. of Commerce: <https://mn.gov/commerce/consumer/file-a-complaint/>  
Attorney General: <https://www.ag.state.mn.us/Office/Forms/ConsumerAssistanceRequest.asp>

Federal Trade Commission  
1-877-382-4357  
<https://reportfraud.ftc.gov/>

Write in detail the actions by the debt collection agency that you believe violated your rights. See the Sample Debt Collection Cease and Desist Letter at the end of the booklet for examples.

## CHAPTER 4 - The Threat of a Lawsuit

Threats of being sued, and actually being sued, are different things. It is expensive to go to court. If the debt isn't large enough, some debt collectors don't think it is worth going to court.

When a debt collector starts a lawsuit against you, it does **not** mean they are going to win in court.

Even if the debt collector wins the lawsuit, there is no guarantee they will collect the amount of money they won.

If the debt collector starts a lawsuit and wins, the court awards them a "judgment." A "judgment" is a court order stating the specific amount you owe. The judgment usually includes the amount the judge says you owe, plus allowed court costs and fees. The judgment earns interest, so if it is not paid the amount goes up every day.

The court's order (judgment) doesn't force you to pay. The order just says you owe the money. Usually the debt collector takes steps to force you to pay.

For example, they can



- garnish (take money from) your wages, other income or bank accounts (see Chapter 5)
- seize (take, called attachment) your property
- force you to pay to get your property back
- take your property to sell it and put the money toward paying off the judgment

Your wages or bank account could be garnished after a debt collector files a lawsuit but **before** they get a judgment against you. If you get a “Summons and Complaint” (which means that a lawsuit has started) follow the instructions on it to avoid garnishment. See Chapter 5 for more information.

## How Do You Know You Are Being Sued?

You know when you are sued because you get papers called a “Summons and Complaint.”

Getting the papers is called “Service.” Service means papers are delivered to you in person, by mail and sometimes through a published notice in the local legal newspaper.



- If they are delivered to you in person, a “private process server” or a sheriff’s deputy delivers them.
- If the papers come in the mail and are about a lawsuit filed in the district court, you are asked to sign and return a letter saying that you got them.
  - If you don’t sign and return these papers, the court can make you pay the other side’s costs to serve the papers on you.
- If you are served by published notice in the newspaper, only the Summons is published. Being served by published notice usually means that the person who is suing you doesn’t know where you are.
  - If you see the published notice, it is up to you to contact the person or business that is suing you (the plaintiff). Tell them where you are. Once you tell them, they have to serve you with the actual Summons and Complaint papers.
  - If you don’t see the published notice, the lawsuit can go ahead without you.

## How to Respond to a Lawsuit

If you are sued, always respond to the lawsuit, especially if you think the debt collector's claim is wrong.

If you don't respond the debt collector almost always wins by "default." You are in "default" if you do not respond to a lawsuit.

How to respond depends on if you are sued in Conciliation Court or in District Court. Highlights about each court are below. There are more details later in this chapter.

**Conciliation Court** is the small claims court in Minnesota. If you are sued in **Conciliation Court**

- You are usually served by mail.
- The Summons and Complaint tells you the date, time and place for your court hearing.
- The papers give you a short statement about the claim (demand) brought against you.
- You don't have to respond in writing unless you have a separate claim against the person who is suing you (counterclaim).
- You have to tell the judge in court why you should not be held responsible for the claim filed against you.

If you are sued in **District Court**

- The Summons and Complaint does **not** tell you the date or time for the hearing. The hearing is scheduled later by the court administrator's office.
- Your response to the papers has to be made in writing to the lawyer who is representing the other person.
- Your response has to be made within a limited period of time, usually 20 days. If you don't respond in the required time period, you are in default.

## Responding in Conciliation Court (Small Claims Court)

Conciliation Court is Minnesota's small claims court. You can be sued for up to \$20,000.

If the claim is a consumer credit transaction the amount is \$4,000. A "consumer credit transaction" is a purchase or loan taken out for personal, family, or household purposes.

You don't need a lawyer in Conciliation Court.

You don't have to file a written answer to the claim brought against you. If you want to respond to the lawsuit brought against you with a claim or lawsuit of your own against the person who is suing you, then you have to bring a "counterclaim."

- To bring a counterclaim, you have to go to the court administrator's office at least 5 days before the date of your hearing to fill out the forms. Ask the court clerk what forms you need.

You might want to try to settle your case before the hearing by making an agreement with the other side. Here are some things that you could agree to.

- You might agree to pay some amount but not as much as the other party sued you for.
- You might agree to a plan to make payments on the original amount.
- You might agree to turn property over to the other party in settlement of your claims.

If you want to settle with the other side, call or write to them before the hearing date. In the metro area you may even be able to arrange for a mediator to work with the two of you before the hearing to help settle the dispute. In Minneapolis, Duluth, and St. Cloud, you can call the Conflict Resolution Center at (612) 822-9883.

If you settle your case, put your agreement in writing. Be as clear as possible in describing what both sides agreed to do. Take the written agreement with you to court. Ask the judge to approve the agreement and make it a part of the court order in your case. This protects you and the other side in case there is a disagreement later.

You have to go to court on the day and at the time scheduled. If the court is running behind schedule you should wait. Your case will be called for hearing sooner or later.





**If you know that you can't go on the scheduled day or have to leave due to an emergency, call or tell the court administrator's office as soon as possible.**

You can ask for another hearing within 20 days after the scheduled hearing, **but** you have to be able to prove that you had a serious emergency which made you miss your scheduled hearing. A serious emergency is something like being in the hospital. In very rare cases, you can ask for a new hearing within a reasonable time.

## Getting Ready for Conciliation Court

Get ready for your court appearance. You have to speak for yourself so plan what to say before you get there. Make a written outline of everything you need to say.

Talk to any witnesses who might have something to say about your case. Ask them to come to the hearing and tell the judge what they told you. The judge probably won't accept a written statement from a witness who can't come to court.

If a witness you need won't come to your hearing when you ask them, talk to the court administrator about how to make them come by sending them a subpoena. A subpoena is a court order saying they have to come to court.



If the plaintiff (the other side) has papers, documents or other things that help your case, and won't let you see them, ask the court administrator for a subpoena. The subpoena orders them to give you copies of the documents.

If specific laws or statutes are involved consider going to your county law library (usually in the county courthouse) or the Internet to look up those laws so you can point out how they do, or don't, apply to your case.

It is a good idea to

1. Practice the presentation you plan to make in court to the judge. Go and watch a conciliation court hearing well before the time scheduled for your own hearing. You can [watch a video about conciliation court online](https://mncourts.gov/help-topics/conciliation-court) or go to <https://mncourts.gov/help-topics/conciliation-court>
2. Organize your documents and bring all your evidence with you to court.

Evidence might include

- photos
- letters
- receipts
- estimates
- leases or other contracts which may be a part of the case

3. At the hearing remember that you are in a formal place where you need to make a good impression. Be very polite to the judge and to the other party.

### **If You Lose in Conciliation Court**



If you lose and the other party wins, they are the “prevailing party” or judgment creditor. As the prevailing party they get a judgment from the court. The judgment is an order stating you owe a certain amount of money to the other party. If you don’t or can’t pay the judgment amount, the winner can take further action to force you to pay the debt.

They can try to garnish your income or bank accounts or try to seize some of your assets. Some of your income, money and property may be protected. See “Exempt Income and Property” in Chapter 5 and “Don’t Turn Unsecured Debt into Secured Debt” in Chapter 9.

If you lose, you have 20 days from the date of the court’s judgment to appeal the decision to the District Court. If you are sure that you want to appeal, call a lawyer as soon as possible to ask for advice on how to appeal.

Remember: There is a risk that you lose the appeal and have to pay even more money to the other side. You may need to hire a lawyer to represent you. This could mean even more for you to pay.

If you appeal to the District Court and lose, the judgment stays on your record for 10 years unless you pay it off or have it removed in bankruptcy. If you do not pay it off, the winner can renew it for another 10 years again and again until it is paid off or removed in bankruptcy. The winner can collect the judgment anytime within the 10-year period if they find out that you have new income, accounts or assets.

Judgment amounts earn interest at a rate set up by law. The interest rate depends on the established rate for the year when the judgment happened. A judgment is added to your credit record just like a bankruptcy and may make it hard for you to get credit.

## Responding in District Court

District Court is more complex than Conciliation Court. If you get District Court papers, you should see a lawyer as soon as you get them. If you have a low income, you should contact your local Legal Services office at 1 (877) 696-6529.



The District Court papers you get are called a “Summons and Complaint.” Respond by writing an “Answer” to the Summons and Complaint within 20 days. If you don’t, you normally lose your case by default. Mail your Answer to the other side’s lawyer. If they are not using a lawyer, mail it directly to them. Keep a copy of your Answer for yourself and take it to court.

Your Answer has to say why you think you do not owe the money the other side is claiming in the lawsuit. The fact that you don’t have the money or can’t afford to pay the amount claimed is not a “defense” and won’t stop the court from entering a judgment against you.

If more than 20 days have passed since the date you got the Summons and Complaint, call a lawyer right away. It may still be possible to present a defense to the court.

The court may try to get you to settle the case by making an agreement through a process called “alternative dispute resolution.” This is also called mediation. You and the other party may be asked to choose a mediator to help you try to reach an agreement. An agreement might have things like, paying the other party some of the money or making a payment schedule. If both of you come to an agreement, put it in writing and give it to the judge for review and approval at your hearing.

If you are representing yourself, prepare for your hearing. It is a good idea to learn what you can about the process of presenting your case and about the laws which affect the outcome of your case. Ask a person you trust to help you practice how to present your case. Practice what to say to the judge.



## CHAPTER 5 - Wage and Bank Garnishment and Your Rights

Garnishment is when someone collects money you owe by taking it out of your **paycheck** or your **bank account**. Sometimes, the debt collector gets a court judgment against you, but usually not. Your wages or bank account could be garnished after a debt collector files a lawsuit but **before** they get a judgment against you. If you get a "Summons and Complaint" (which means that a lawsuit has started) follow the instructions on it to avoid garnishment.

### **The law protects some of your money from garnishment.**

Money that can't be garnished is called "exempt." For example, a debt collector can't take more than 25% of your "net wages," or \$380 a week, whichever is higher. "Net wages" means your take-home pay or what you earn **after** taxes are taken out.

You have to fill out papers saying that your money is exempt. If your money is not exempt, try to work out a deal with the debt collector. They might accept a payment plan, or even payment of less than the full amount. If you make a deal, be sure it is in writing and signed by both sides. Keep a copy of it.

### **Can your benefits be garnished?**

Usually, public assistance benefits can't be garnished. These benefits are called "government benefits based on need." Government benefits based on need includes programs like

- MFIP
- Emergency Assistance
- Medical Assistance
- General Assistance
- MSA
- SSI
- Energy Assistance

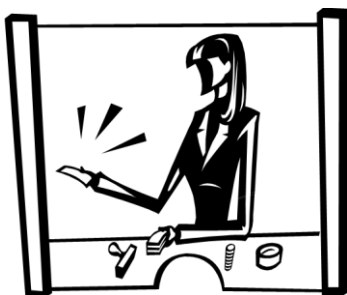
**Note:** This list does not include all programs that are government benefits based on need. For example, your federal EITC (Earned Income Tax Credit) or your Minnesota WFC (Working Family Credit) is exempt from garnishment.

Other programs like Social Security RSDI and Veterans Benefits are also exempt from garnishment. If you are not sure if the benefits you get are exempt talk to a lawyer or call your local Legal Services office at 1 (877) 696-6529.

BUT there are times that this money is NOT safe. Get advice from a lawyer if someone has threatened to take your benefits.

For example

- Up to 15% of your social security retirement, disability or survivor benefits can be garnished to pay for government-related debts like child support, student loans and income taxes as long as you get a minimum of \$750 each month. You have to get a warning from the U.S. Treasurer before this happens.
- Also, your benefits can be reduced or stopped if your county decides that you got benefits that you should not have.



### Can they take money from your bank account?

Yes, unless the money is “exempt.” If your bank account is garnished, you won’t be able to use your money in your account. It is “frozen” while you claim your exemptions. You do not get a notice before this happens. **The bank sends you a notice after the money is “frozen.”** The notice tells you your rights about exemption. It takes time before your bank releases (unfreezes)

your money.

**If you have written checks or have automatic payments—they may bounce!** Talk to the people you wrote checks to and tell them about the problem. If you have set up automatic payments, these will bounce also. Talk to the bank manager about what is happening. They might agree to cancel overdraft charges.

Money in your bank account from certain sources is protected (exempt) from garnishment. Some of those sources are

- government benefits based on need and most other public benefits
- unemployment benefits
- workers' compensation
- (most) pensions
- life insurance proceeds
- veterans' benefits
- the earnings of your minor child
- any child support paid to you
- disability insurance benefits



Loans, gifts, and other peoples’ money are **not protected** from garnishment when they are put in your bank account. **BUT**, if you have a **joint account**, the other person’s money may be protected. Talk to a lawyer right away.

Sometimes money that is usually exempt is **not protected** if you owe debts like

- child support
- alimony or spousal maintenance
- student loans or
- taxes

Exempt wages only stay exempt for 20 or 60 days after you deposit them in the bank. See “Can they take money out of your paycheck?” in Chapter 5.

If a bank or financial institution is trying to take money you owe out of another account you have with them, call a lawyer right away.

## How to Claim a Bank Account Exemption

You do not get any warning before your account is frozen. The bank has to send you a written notice and exemption forms *after* the money in your account has been frozen. If your money is exempt (see above) fill out **BOTH** exemption notices. Be sure to include copies of your bank statements for the last 60 days. Give one copy to the debt collector who is garnishing you and one copy to your **bank**.

If the debt collector does not object to your claim in 6 days, the bank should put the money back into your account. If the bank doesn’t get your exemption notice within 14 days, it keeps holding your money, and you can’t use it.

## Can they take money out of your paycheck?

They can’t take money from your paycheck if

1. You are getting or got “government benefits based on need” in the last 6 months (see “Can your benefits be garnished? above)
2. You were an inmate in a correctional institution in the last 6 months.



These 2 exemptions protect your paycheck for **60 days** after you deposit it in your bank.

## If you don’t have exemptions, how much can they take?

Most of your paycheck is protected - even if you are not exempt. Usually, the amount protected depends on how much you make. The most that can be taken is 25% of your take-home wages. BUT if you are making minimum wage, then all of your wages are exempt. No money can be taken

from your paycheck.

**Only 20 Days:** This “25% maximum limit” also applies to paychecks deposited into your bank account – but only for 20 days. Example: if you deposit a \$1,000 paycheck into your bank, \$250 can be garnished right away and the other \$750 could be garnished after 20 days.

**BUT- if the garnishment is for child support,** then up to 65% of your wages can be withheld.

## **Are independent contractors or people who own their own business protected?**

Yes. Earnings of independent contractors and self-employed people are protected as much as people who are employed and earn hourly wages or a salary. All the wage and bank garnishment protections apply.

## **How to Claim a Paycheck Exemption**

You should get written notice at least 10 days before your paycheck gets garnished for the first time. Find out if your money is exempt (see above).

If your wages are exempt, fill out the exemption notice that comes with the letter (written notice). Hand-deliver one copy to the debt collector who is garnishing you and one copy to your employer. Do this as soon as possible. **If you do not do it within 10 days, you can still claim the exemption,** but it takes longer to stop the garnishment and get your money back.



### **What happens after you claim an exemption for your paycheck or bank account?**

You can call the debt collector and ask when they are going to tell your employer or bank to give your money back. The debt collector might ask you for more information or proof, like benefits statements. You might get your money returned sooner if you send them the proof that they ask for. You might need to talk to a lawyer to help you prove your exemption claim.

### **What if the debt collector objects?**

If the debt collector objects to your exemption claim, they have 6 days to ask for a court hearing to see if your money is exempt. You can go to the hearing without a lawyer. Remember to bring any documents that help prove your exemption.

**IMPORTANT: If you do not claim your exemptions or ask for a hearing on time, you can still do it later. You never lose your right to stop a garnishment or to get your exempt money back. Never rely on legal advice from a debt collector.**

## **“Exempt” Property**

Federal and Minnesota state laws “exempt” a certain amount and certain types of property. “Exempt” means they can’t be taken to pay a judgment. This happens when you have little or no income and little or no property.

You can keep

- your home if the value is \$450,000 or less (unless the debt collector has a mortgage or lien against the property)
- a car worth up to \$4,800
- furniture and appliances worth up to \$10,800
- money in a health savings account (HSA) with a present value of up to \$25,000.



If you are not sure if your property qualifies as exempt, contact your local Legal Services office at 1 (877) 696-6529 or a private lawyer.

## **CHAPTER 6 – Medical Debt**

Although debt collectors can use the same methods to collect medical debt as they can to collect credit card debt or debt owed from a loan or other credit, no one voluntarily gets into medical debt. Minnesota law understands this and has special rules that apply to medical debt.

### **Special Protections for People with Medical Debt**

Under the Minnesota Debt Fairness Act

1. A health care provider can’t refuse to give you “medically necessary” health care if you owe them money for care they gave you in the past. If you do owe money to a health care provider and you can’t afford to pay what they ask you to pay, you should contact the provider and ask for a payment plan. The law allows you to make payments of an amount you can afford to pay.
2. If you disagree with a bill and think there is a mistake, the health care provider has to review the bill, correct any errors, and can’t bill you for the charges that are in dispute. If they owe you money, they have to refund it to you within 30 days after completing the review of the disputed bill.

3. Anyone attempting to collect a medical debt can't report the debt to a credit reporting agency.
4. Anyone collecting medical debt can't use abusive collection practices (see "What is abuse and harassment?" in Chapter 3 for more info).

## CHAPTER 7 – Student Loans

A college education can be one of the best investments you ever make. It can help you find jobs that make more money.



Many people have to borrow money to pay for school. Student loans are different from other kinds of debt.

- They can be easier to manage because a number of different payment options are available.
- But they can also be harder to manage because lenders, including Guarantee agencies and the US Department of Education, can be hard to communicate with.

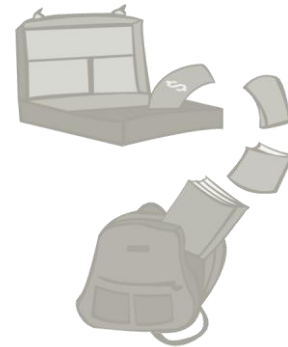
Remember that you have to repay any loans you take out. Try to finance your education with grants, scholarships, work study, and other types of financial aid as much as possible so you can take out fewer loans.

If possible, take out Direct Student Loans (made directly by the US Department of Education), because they often offer the best terms.

### Keep Your Student Loan Out of Default

If you fall behind on student loan payments, the loan goes into "default." That means the lender may be able to take your money even if you are otherwise "collection-proof."

You have a few options available to keep your student loan in good standing. If you can't make your monthly loan payment, contact your lender.



## Income based repayment plans

You can ask your lender to lower the amount of your monthly payments. If you took your loan out after July 1993, the lender may be required to offer you a repayment plan that is based on your income.

There are 4 types of income-based repayment plans.

### 1. Income Based Repayment (IBR)

If you have a federal loan and are not in default, you can probably get an IBR repayment plan. This includes anyone with Federal Family Education Loans (FFELs).

To qualify for IBR, you have to show that you have enough debt relative to income. IBR uses a sliding scale to figure out how much you can afford to pay each month.

You have to verify your income every year. Your payment may be adjusted if you have changes in income and family size.

### 2. Income Contingent Repayment (ICR)

You can only use ICR if you have a Direct Loan or Direct Loan Consolidation. The payment can't be more than 20% of your earnings above the poverty level. If your income is below the poverty level, your monthly payment could be zero. If you keep making your payments for 25 years, any debt that is left is canceled.

### 3. Income Sensitive Repayment (ISRP)

ISRP is the Federal Family Education Loan (FFEL) that requires minimum payments that equal the amount of accrued interest. With these plans, your monthly loan payment is figured out based on your expected monthly gross income. Adjustments are made every year.

### 4. Pay as You Earn (PAYE)

To qualify for PAYE, you have to have a *partial financial hardship*. You have a partial financial hardship if the monthly amount you are required to pay on your loan is higher than the monthly amount you would pay under PAYE.

Income-based repayment plans might change. For the latest information on these plans and eligibility rules, go to <https://studentaid.gov/>. Another good site is [www.studentloanborrowerassistance.org](http://www.studentloanborrowerassistance.org).

## Public Service Loan Forgiveness Program

If you work full-time in certain public service jobs, you may be able to get part of your student loan forgiven.

With a standard loan you should be paid off after about 10 years. But if you are on a program that lowers your payment amount, it would take longer than 10 years to pay. In this program, if you make 120 payments (about 10 years) you may be able to stop paying after that. The balance after 120 payments is the part that can be forgiven and you won't have to pay. You can't be in default or you won't be able to do this program.



For program details and more information, go to <https://studentaid.gov/pslf/>

## Deferral



If you can't make a payment at all, ask for a "deferral." A deferral means you do not have to make any payments and no interest is added on the loan for the length of the deferral. A deferral can last up to 3 years. You may be able to get a deferral if you

- lose your job,
- have health problems,
- take time off work to care for your preschool children,
- are on active military duty, or
- have some other form of hardship, such as low earnings

You can only get a deferral if your loan is not in default when you ask for it and you have not already used up your 3 years of deferral time.

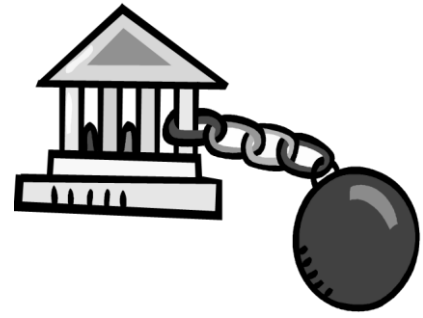
## Forbearance

If you are temporarily disabled or having financial hardship you can ask for a "forbearance." A forbearance means the lender agrees to let you stop making payments for a while or make lower payments. The lender may give you a forbearance even though you have already used up your 3 years of deferral. But interest is added to the principal of your loan during the length of the forbearance.

The difference between a deferral and a forbearance is that interest continues to grow with a forbearance.

## When Your Loan is in Default

The lender may declare the loan in default if you fail to make the required payments for at least 9 months.



### There are serious consequences of default. They include

- You lose your right to a deferral.
- The lender can sue you, get a judgment against you, and seize any of your income or property that is not exempt under state law.
- Without suing you, the U.S. Department of Education can take your federal income tax refunds including the Earned Income Tax Credit (EITC).
- Without suing you, the U.S. Department of Education or State Guarantee agency can garnish your wages if you earn more than 30 times the federal minimum wage.
- If you get more than \$750 per month of Social Security or Veterans Administration benefits, the U.S. Department of Education can take 15% of your check, or the amount by which your check is more than \$750, whichever is less. **If you get Supplemental Security Income (SSI), or your Social Security benefits are not more than \$750 per month, the Department of Education can't take any part of your benefits.**
- If you want to go back to school, you can't get any new financial aid, either loans or grants.

## Getting Your Student Loan Out of Default

### There are a few ways to get your loan out of default.

- You can “rehabilitate” your loan. To do this, you and your lender decide on a monthly payment amount that is reasonable and that you can handle. You need to consider things like income and expenses. You have to make 9 monthly payments in a row to get out of default.
- If you have more than one loan, think about a consolidation loan. These are offered by the U.S. Department of Education. The new loan pays off your old loans. If your lender has not gotten a judgment or an order of wage garnishment against you, you could qualify for a consolidation loan. Some reasons for taking out a consolidation loan are

- You would no longer be in default, so you would qualify for deferral, even if you had already had a deferral on your old loan.
- A Direct Consolidation loan can be repaid under an “income contingent” repayment plan. In other words, the lender would have to accept as a monthly payment an amount that is affordable to you based on your actual income.

To ask about a Direct Consolidation loan, call the Federal Student Aid Information Center at 1-800-433-3243.

- If your main concern is to get more loans and grants to go back to school, you might be able to make an agreement with the lender to lower your payments to something you can afford. If you make 6 payments in a row you are eligible for new educational loans and grants.

**Note:** But your loan is still in default for other purposes, like collection. The lender could still take collection actions, like taking your tax refunds and garnishing your wages.

- Even if you took your loan out before July 1993, you may be able to reinstate it. This means get it out of default, renew your eligibility for deferrals, stop collection action. You may be able to do this if you make 12 payments in a row of an amount you agree to with your lender.

You can ask for a forbearance even if you are in default. A lender may, and sometimes has to, give you a forbearance. A forbearance does not take your loan out of default or renew your eligibility for new student loans or grants, but it stops collection action.

## What if a collection company calls?

If debt collectors are collecting on student loans, they can't harass you and they have to follow the Fair Debt Collection laws. See Chapter 3 for more info.



## Making Your Student Loan Go Away

### 1. Bankruptcy

The general rule is that student loans can't be discharged in bankruptcy. Discharge means you do not have to pay the loan back. But if a judge decides the student loan will cause you “undue hardship” if it is not discharged, they can order the loan discharged.

“Undue hardship” is a hard thing to prove. You have to show that you have no income or resources to make any significant payments on your student loans, and that you won't be much better off in the future. It is easier to do this if you are disabled.

If the loan is discharged, then you no longer have to pay it. The lender can't take any further collection action, and you would be eligible for new student loans and grants.

## 2. Forgiving the Loan

Sometimes the lender must give up trying to collect on your loan. This is called "forgiving" the loan. The lender **has to** forgive your loan under certain circumstances.

- **Closed school**  
You got a loan after January 1, 1986, but could not complete your education program because the school closed.
- **Inability to benefit**  
Your school let you enroll in a program that they knew you could not benefit from. For example, if you did not have a high school diploma at the time you enrolled, and the degree/license or certificate you were working towards required a high school degree.
- Your school **forged your signature** on the loan application.
- You are **totally and permanently disabled**.

The Department of Education has forms to use if you want to apply to forgive your loan. Download them from the website at <https://studentaid.gov/manage-loans/forgiveness-cancellation>

Give as much information and documentation as you can to support your claim. Return the completed form, together with supporting documents, to your lender or their collection agent.

### Need more information?

If you have questions about student loans, repayment plans or need more information, go to the Department of Education website at <https://studentaid.gov/>

Or call the Federal Student Aid Information Center (FSAIC) at 1-800-4-FED-AID (1-800-433-3243), (TTY) 1-800-730-8913. Or visit the website at <https://www.usa.gov/federal-agencies/federal-student-aid-information-center>



## Problems with your lender or servicer?

Most student loans are “serviced” by a company other than the lender. These companies collect payments, answer borrower questions, and do other tasks to maintain a loan.

Minnesota passed a “Student Loan Borrower Bill of Rights.” For example, it is against the law to mislead you or deceive you. Servicers have to check your eligibility for an income-based repayment program. There are more rights under this law. To read the whole “Student Loan Borrower Bill of Rights,” go to <https://mn.gov/commerce/money/consumer/student-loans/bill-of-rights.jsp>

Student loan servicers in Minnesota have to be licensed by the Department of Commerce. If you have a complaint against your servicer, you should contact the department by email at [consumer.protection@state.mn.us](mailto:consumer.protection@state.mn.us) or by phone at 651-539-1600 or 1-800-657-3602. You can file a complaint online at <https://mn.gov/commerce/consumer/file-a-complaint/>. The department can make the servicer give you money back (called “restitution”) for wrongdoing.

You can also make a complaint to the federal Student Loan Ombudsman at 1-800-433-3243 or [online](https://studentaid.gov/feedback-ombudsman#how-contact) at <https://studentaid.gov/feedback-ombudsman#how-contact>

If you don’t know who your student loan servicer is, you can call 1-800-433-3243 or [look](https://studentaid.gov/manage-loans/repayment/servicers) it up online at <https://studentaid.gov/manage-loans/repayment/servicers>.



## CHAPTER 8 – If You Were Forced to Take on Debt by an Abusive Partner

### Coerced Debt Law

Minnesota passed a law called the “Coerced Debt Law” that could help a survivor of domestic violence if an abusive partner stole the survivor’s identity to take out credit or otherwise used force, threats, or intimidation to make the survivor take out unwanted credit.

The law makes it illegal to force a survivor of domestic violence to take out debt they didn’t willingly ask for. If a survivor has this kind of debt, they can get a court to wipe out that debt. If the survivor gives evidence that the debt was “coerced,” the court can rule that

- The survivor does not owe the debt
- Any court order (“a judgment”) saying the survivor owes the debt is thrown out

- Any existing court case the debt collector has against the survivor for the debt is dismissed.

Before going to court, a survivor of violence has to first tell the debt collector that the debt was “coerced” and include one or more of these documents

- a police report
- an Identity Theft Report to the Federal Trade Commission
- a divorce decree that shows the debt was coerced or
- a sworn certification from a professional counselor or health professional saying the debt was coerced

After receiving the notice, the debt collector has to tell the survivor if they will stop or not stop trying to collect the debt.

## CHAPTER 9 - Refinancing

Refinancing your debt (paying off your loan by taking out a new one) when you can’t afford your current monthly payments can seem like a good idea but might not be in your best interests. Here are some things to think about when refinancing seems like a way out of your debt situation.

- **If you have any doubts, don’t refinance.** Refinancing almost always costs money. It may be up-front costs, or it may be over the term of the new repayment schedule. Ask yourself if the payments you make now, or the new refinanced payments are better for you. Add up the costs. What is the new grand total that you pay over the lifetime of the loan?
- How much longer do you have to make payments?
- How much is your new interest rate? Does it increase or decrease the total interest you pay over the lifetime of your loan?

### Don’t Turn Unsecured Debt into Secured Debt



“Secured loan” means that the debt collector can take a promised piece of property (called “collateral”) if you don’t pay. The debt collector does not need to sue you first – they can usually take the collateral as soon as you are late. These are usually home mortgages and car loans.

**“Unsecured loan”** means that there is no collateral. If you don’t pay, then the debt collector has to sue you in court to take anything.

It is usually a bad idea to borrow money from a secured loan to pay for an unsecured loan. The reason this is bad is because your exemptions may protect your property from unsecured debt collectors like credit card companies. But these exemptions do not stop secured debt collectors.

**For example:** you borrow money from your house (called Home Equity Loans) to pay your credit card bill. Even though the house was safe from the credit card company, you could lose your house if you don’t pay on the Home Equity Loan.

### **Ask Questions & Get Advice Before You Sign Any Document**

- What will your new interest rate be?
- What property that you own are you putting up as collateral for the loan?
- How long and for how many years and/or months will you be paying on the new refinanced debt?
- What will the total of all your monthly payments be when you get done paying the debt?
- Are there special rules (terms) about your payments during the time you have the loan?
- Will the amount change?
- What are the up-front closing costs?
- Are there any continuing closing costs?
- When can your new lender demand you pay the total amount owed before the end of the contract?

Make sure you get independent legal or financial advice from a professional before you sign. You need to choose the person to help you. Don’t just use someone the lender suggests. Ask the person to look at the paperwork and give you advice before you sign.

**If the loan is a home equity loan or credit line,** then you have 3 days to cancel the loan after you sign. You can cancel for any reason by letting the lender know in writing. Remember that you are putting your home up as collateral with this kind of loan (the lender can take it from you if you don’t pay).

### **Beware of Refinancing Scams**

Do you know the bank, loan business, or finance agency you are dealing with? Were you introduced to them when someone came to your door?

There are many people out there looking to scam you. They take your money today and leave tomorrow by selling your loan to another financing company that may not work with you. You could lose your home.

It is much better to use a local, established company than a “fly-by-night” agency.



Here are more signs of a scam to look out for

- lenders that aggressively advertise
- lenders that offer to lend you more money than the collateral is worth
- lenders that promote the tax deductibility of your loan (If they do, make sure they explain when and why your loan may not be tax deductible in language you can understand.)
- offers to help you get a loan modification that charge you a fee (If you choose to use someone to help you get a loan modification, you do not have to pay any fees until they provide the service they promise.)

If you are in foreclosure and would like to adjust your loan or lower or extend your payments, the Minnesota Homeownership Center operates a **statewide foreclosure prevention program**. For help, call the Homeownership Center at 651-659-9336 or 866-462-6466 or visit their website at <https://www.hocmn.org/>

### **Don't Refinance with the Company that Holds Your Original Debt**

They might charge you fees that add up. For example, they may say you have to pay new loan closing costs and other fees as a condition of getting the loan. They may charge you prepayment penalties when they pay off your old loan. They may make you pay a higher interest rate on your new loan. They may also make you add more property to the deal to get your new debt loan.



## **CHAPTER 10 - Bankruptcy**

Bankruptcy is a legal proceeding (action) in federal court. A person with a lot of debts can get rid of those debts (“discharge” them) or get a new re-payment plan (“re-structure the debt”) if it is approved by the court. The two primary types of consumer (individual) bankruptcies are called Chapter 7 and Chapter 13.

## Chapter 7

Chapter 7 bankruptcies are also known as liquidation bankruptcies. You can get rid of your responsibility for all or most of your debts by giving up your **non-exempt** property to be sold. This does not usually include your home, car or furniture. The money is then used to pay off your debt collector.

In this type of bankruptcy, the debt collector only gets back a small part of the original amount they were owed. If the bankruptcy is approved, you are no longer legally required to repay the debts. You only have to pay if you “re-affirm” specific debts after the bankruptcy is granted. Reaffirming a debt means you agree to pay that specific debt.

## Chapter 13

Chapter 13 bankruptcies let you re-organize your debts and assets. A “Chapter 13 plan” is created so you can pay off your debts over a span of 3 to 5 years. The bankruptcy court has to approve the plan. Debt collectors don’t usually get all of the money you owe them, but they get some of it. The idea is that it is better to get some money back than to get none.

In this type of bankruptcy you can sometimes keep some non-exempt property. But property that was listed as a “security interest” or collateral is different. You may have to work out a new agreement or contract with the company listing the property as a security interest. You can’t always keep all your property in this type of bankruptcy.



## Good Things about Bankruptcy

- Gives you a fresh start on managing your finances and meeting your financial responsibilities.
- Lets you keep your home or car by stopping foreclosures, cancellations of contracts for deed and repossession of vehicles.
- Stops collection activity and other legal actions for a while, like
  - Garnishments and attachments that are already started
  - Lawsuits for foreclosure, eviction, cancellations for contracts for deed
  - Lawsuits to enforce collection of other obligations
  - Utility terminations
  - Collection of judgments against you.

Stopping these activities is only temporary, but you might be able to work out a new payment plan or make other arrangements to end collection action altogether.

## Bad Things about Bankruptcy

- Bankruptcy can mean that you have to give up property that is not exempt or not protected for some other reason. For example, your house or car could be protected because they are subject to a mortgage, contract for deed or security interest.
- Bankruptcy can mean you have a hard time getting credit in the future for things you need because a bankruptcy stays on your credit history for 10 years.

Some local businesses might not care about your credit report because of your standing in the community. But a bankruptcy on your credit report stops many lenders from approving credit.

- Bankruptcy may have a bad impact on your reputation if it becomes known publicly. This may be a reason for you to “re-affirm” debts owed to lenders in your community.
- Businesses might discriminate against you because you filed for bankruptcy protection. For example, they might refuse to hire you or give you a loan.



You do have some protections like

- An employer can't fire you because you filed for bankruptcy.
- A utility company can't deny or refuse services because you filed for bankruptcy.
- Medical providers can't refuse to give you *emergency* medical services because you filed for bankruptcy. But medical providers CAN refuse routine services to you if you have a bankruptcy in the past, unless you have proof of present ability to pay.

If you can show that someone denied services, employment or housing to you because you filed for bankruptcy, you could have a reason to sue in court and get the denial overturned.

## Filing for Bankruptcy

To file for bankruptcy, you almost always need the help of a lawyer. Many lawyers charge a set fee plus court filing costs for specific types of bankruptcy help. Some lawyers let you set up

payment schedules for their fees. Others want the full amount up front.

If you have questions about bankruptcy meet with a lawyer who practices bankruptcy law to discuss your rights, your options, and the required steps.

If you would like legal advice about your debts or a possible bankruptcy, call a lawyer or your local Legal Services office at 1 (877) 696-6529.

## Bankruptcy May NOT Be the Solution

Bankruptcy is NOT the only way to deal with your debt. You have options. Bankruptcy may not be necessary or make sense if

- you have no income, savings, or other property or assets which can be taken from you to pay off your debts
- you want to keep property that can be taken to pay off your debts
- you have only a few debts
- you have a strong defense as to why you don't owe the debt
- you have a way to make payments on your debt or
- the only reason you want to file for bankruptcy is because you want to stop being bothered by debt collectors. There are ways to stop this other than bankruptcy.



**Note:** If the debts you are worried about are backed (secured) by your home or car or other important property and your income isn't enough to pay both current and past due debts, bankruptcy does not help you (see Chapter 10 for more information).

If any of these factors apply to you, there are other things you can do instead of bankruptcy.

## Credit Counseling Can Help

Legitimate credit counseling agencies can help you figure out the best way to deal with your debt. Legitimate agencies are here to help people, not scam them. The best way to be sure that the agency is legitimate is to use a nonprofit service that is either free or low-cost.

Good credit counselors help you review your situation, give you options, and advise you on the best ways to get back on your financial feet. They also may offer free or low-cost financial training so you can avoid credit problems in the future.

Make sure that the agency you use is "accredited." This means that they are given a seal of approval that they meet high standards. Also make sure that the counselors are "Certified Consumer Credit Counselors." These counselors have to pass tests to make sure they are good

counselors. You can find out if an agency is accredited by checking with the National Foundation for Credit Counseling at <https://www.nfcc.org/>

If you would like help with budgeting or with paying your debts, you should call Family Means at 651-439-4840 or 1-800-327-3203 or [www.familymeans.org](http://www.familymeans.org). They may be able to help you set up a repayment plan to take care of your debts.

See Chapter 1 for more information on managing your debts and credit counseling options.

## **CHAPTER 11 - Debt Management, Debt Settlement, and Avoiding Scams**

### **How to Avoid Scams**

Being in debt can be very stressful. That stress can make it easy for people to fall for scams. There are many dishonest “businesses” that make you think they want to help you. In fact, the “business” is just a scam to get your money. Don’t fall into a trap that makes your debt problems worse.

Here are some things to look out for and avoid.

- DO NOT sign up with any business that says it helps you
  - get out of debt
  - fix your credit
  - get debt collectors to leave you alone

Get advice from a legitimate nonprofit credit counseling agency. Make sure the agency is “accredited” (given a seal of approval that they meet high standards) and their counselors are “certified” (they had to pass tests to make sure they are good counselors). See Chapter 1 for more information on managing your debts and credit counseling options.



### **Be careful of companies offering “debt management” services or plans.**

The main purpose of “debt management” is to help you fully repay all that you owe. These are plans where the company acts as a go-between with your debt collectors. The company says they set up a repayment plan with each of your debt collectors. Then they take a lump sum payment from you each month and make the monthly payment to each of the debt collectors. But the lump sum you pay includes fees for the debt management company.

If you end up with one of these companies, make sure the lump sum you pay includes the **full amount owed to your debt collectors in addition to the fees**. Ask the debt management company to tell you **exactly** where all the money you pay goes.

Debt management service companies **HAVE TO** have a license from the Minnesota Department of Commerce. They **HAVE TO** follow strict Minnesota laws.

For example, **BEFORE** you sign a contract with them, they have to tell you which of your debt collectors has agreed to be part of the plan and which refused to participate. They can't charge more than a one-time \$50 "origination" fee and then no more than \$75 per month "maintenance" fee.

**Do not sign anything** until you check to see if the service has a current license. You can check with the Minnesota Department of Commerce to see if the company is licensed by calling 651-539-1600 or 800-657-3602 or going to their website at <https://mn.gov/commerce/licensing/license-lookup/>

### **Be very careful about companies offering "debt settlement" services.**

The main purpose of "debt settlement" is to help you get part of your debt "forgiven" so the total you have to pay is less than what you owe. These companies say they lower your debts by getting debt collectors to "forgive" a large part of what you owe – whether it is on credit card debt, medical debt, or tax debt.

**Do not sign anything** until you check to see if the service has a current license. You can check with the Minnesota Department of Commerce to see if the company is licensed by calling 651-539-1600 or 800-657-3602 or going to their website at <https://mn.gov/commerce/licensing/license-lookup/>

**IMPORTANT NOTE:** Debt settlement companies **CAN'T** take any money up-front. They can ask you to pay fees only after they have delivered the services they promised.

Debt settlement companies **HAVE TO** have a license from the Department of Commerce. They **HAVE TO** follow very strong Minnesota laws that protect consumers.

For example, before you sign a contract, they have to make sure the plan is right for your situation. They have to tell you they don't guarantee success, and that you can still be contacted and sued by debt collectors. They also have to tell you that interest and fees keep adding up during the time you are in the debt settlement plan.



## Sample Debt Collection Cease and Desist Letter

This example says the person owes but can't pay right now.

---

Your Name  
Your Address  
Your City, State Zip

Mr./Ms. Bill Collector  
Name of Debt Collector or Collection Agency Their Address  
Their City, State Zip

Date

Re: Account #123456789

Dear Sir or Madam:

I am writing to ask that you stop communications to me about my account with Amy's Department Store, as required by the Fair Debt Collection Practices Act.

I was laid off from work two months ago and can't pay this bill at this time. I am now in a training program that ends in March and hope to find work that will let me to make payments soon after that.

You should know that your employees have engaged in illegal collection practices. For example, I got a phone call at 6:30 a.m. from one of them last week. Later that day, the same person called me at my training program. Personal phone calls are not allowed except for emergencies. My family and I were very upset by these tactics.

Stop contacting me.

I will take care of this matter when I can. Your cooperation is appreciated.

Sincerely,

---

*(signature)*

## Sample Wage Garnishment Exemption Notice

The next pages are an example of the notice you get if a debt collector wants to garnish your wages. The first part is filled out by the creditor. You do not need to write anything on that part. But you need to fill out and mail back the part called "Debtor Exemption Claim Notice."

---

State of Minnesota

District Court

County of: \_\_\_\_\_

Court File Number: \_\_\_\_\_

Judicial District: \_\_\_\_\_

Case Type: \_\_\_\_\_

---

Creditor's full name

vs.

---

Debtor's full name

and

---

Third Party (Bank, Employer, or Other)

### Garnishment Exemption Notice and Notice of Intent Garnish Earnings (JGM802)

Minn. Stat. § 571.925

**Notice:** A garnishment may be served on your employer or other third parties. **Garnishment means that part of your earnings can be taken to pay off debts that you owe.** This can happen in 10 days or more after you get this notice. This can happen without any other court action or notice to you. **But some of your money may be protected.**

**Your earnings cannot be taken if:**

- you are getting government assistance based on need,
- you got any government assistance based on need in the last 6 months, or
- you were an inmate of a correctional institution in the last 6 months.

**These are called exemptions. Your money is not protected unless you fill out the *Exemption Claim Notice* attached and send it back to the creditor or the creditor's lawyer.** If you are not sure if you have any exemptions, talk to a lawyer.

You can also contact the creditor or their lawyer to talk about a settlement of the debt.

Examples of government assistance based on need:

- **MFIP** – Minnesota Family Investment Program
- **SNAP** – Supplemental Nutrition Assistance Program
- **GA** – General Assistance
- **EGA** – Emergency General Assistance
- **MSA** – Minnesota Supplemental Aid
- **MSA- EA** – MSA Emergency Assistance
- **EA** – Emergency Assistance
- **Energy or Fuel Assistance**
- **Work Participation Cash Benefit**
- **MA** – Medical Assistance
- **MinnesotaCare**
- **Medicare Part B** - Premium Payments help
- **Medicare Part D** - Extra
- **SSI** – Supplemental Security Income
- **Tax Credits** – federal Earned Income Tax Credit (EITC), MN Working family credit
- **Renter’s Refund** (also called Renter’s Property Tax Credit)

### Warnings and Fines

- (1) Even if you claim an exemption, a garnishment may still be served on your employer. If they take money from you after you claim an exemption, you may ask the court to review your exemption. If the court finds that the creditor ignored your claim of exemption in bad faith, you are entitled to costs, reasonable lawyer fees, actual damages, and a fine up to \$100. Bad faith is when someone does something wrong on purpose.
- (2) BUT if you claim an exemption, the creditor can also ask the court to review your exemption. If the court finds that you claimed an exemption in bad faith, you are charged costs and reasonable lawyer fees, and a fine up to \$100.
- (3) If you get this notice, then do something in bad faith to try to block or stop the garnishment and the creditor has to take you to court because of it, you will have to pay the creditor’s costs, and reasonable lawyer's fees, and a fine up to \$100.

Date: \_\_\_\_\_

Creditor’s Signature: \_\_\_\_\_  
(or creditor’s lawyer’s signature)

Creditor’s Name: \_\_\_\_\_  
(or creditor’s lawyer’s name)

Street Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email: \_\_\_\_\_

---

**State of Minnesota**

**District Court**

County of: \_\_\_\_\_

Court File Number: \_\_\_\_\_

Judicial District: \_\_\_\_\_

Case Type: \_\_\_\_\_

\_\_\_\_\_  
Creditor's full name

vs.

\_\_\_\_\_  
Debtor's full name

and

\_\_\_\_\_  
Third Party (Bank, Employer, or Other)

## Debtor's Exemption Claim Notice

**I claim that my earnings are exempt because:** (check all that apply)

I am getting government assistance based on need. (State the program, case number if you know it, and the county you got it from.)

Program: \_\_\_\_\_ Case #: \_\_\_\_\_ County: \_\_\_\_\_

Program: \_\_\_\_\_ Case #: \_\_\_\_\_ County: \_\_\_\_\_

Program: \_\_\_\_\_ Case #: \_\_\_\_\_ County: \_\_\_\_\_

I am not getting assistance based on need right now, but I did get government assistance based on need within the last 6 months. (State the program, case number if you know it, and the county you got it from.)

Program: \_\_\_\_\_ Case #: \_\_\_\_\_ County: \_\_\_\_\_

Program: \_\_\_\_\_ Case #: \_\_\_\_\_ County: \_\_\_\_\_

Program: \_\_\_\_\_ Case #: \_\_\_\_\_ County: \_\_\_\_\_

I was an inmate of a correctional institution within the last 6 months. (State the correctional institution and location.)

Correctional Institution \_\_\_\_\_ Location \_\_\_\_\_

I give my permission to any agency listed above to give information about my benefits to the creditor named above, or to the creditor's lawyer. The information will **ONLY** be if I get assistance, or if I have gotten assistance in the past 6 months. If I was an inmate in the last 6 months, I give my permission to the correctional institution to tell the creditor named above or the creditor's lawyer that I was an inmate there.

**Fill in the blanks below then sign and send this form back to the creditor or the creditor's lawyer.**

Date: \_\_\_\_\_

Creditor's Signature: \_\_\_\_\_  
(or creditor's lawyer's signature)

Creditor's Name: \_\_\_\_\_  
(or creditor's lawyer's name)

Street Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email: \_\_\_\_\_

Debtor's Signature: \_\_\_\_\_

Debtor's name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

## Sample Bank Garnishment Exemption Notice

The next pages are an example of the notice you get if a Creditor wants to garnish your bank account. Follow the instructions in the second form (JGM406) to fill out and mail the exemption form (JGM401).

State of Minnesota

District Court

County of: \_\_\_\_\_

Court File Number: \_\_\_\_\_

Judicial District: \_\_\_\_\_

Case Type: \_\_\_\_\_

\_\_\_\_\_  
Creditor's full name

vs.

\_\_\_\_\_  
Debtor's full name

and

\_\_\_\_\_  
Third Party (Bank, Employer, or Other)

### Notice of Garnishment (JGM805)

Minn. Stat. § 571.912, subd. 1

#### Important Notice

#### Money in Your Account Has Been Frozen

The creditor has frozen money in your account at your bank.

**Your account balance is \$** \_\_\_\_\_

**The amount being held is \$** \_\_\_\_\_

The amount being held is frozen for 14 days from the date of this notice.

**Some of your money in your account may be protected (the legal word is exempt). You may be able to get it sooner than 14 days if you act quickly and follow the instructions on the next page.**

The attached *Exemption Form* lists some different ways money in your account may be protected. If your money comes from a benefit on this list, put a check next to it. The creditor can't take it.

**BUT, if you want the bank to unfreeze your money, you have to follow the instructions and**

**return the *Exemption Form* with copies of your bank statements from the last 60 days.**

Instructions and the form are attached. If you don't follow the instructions your bank gives the money to your creditor. If your creditor gets an order from the court or *Writ of Execution*, your bank gives the money to them. If that happens and your money is protected, you can still get it back from the creditor later. But filling out the form now is easiest.

See the attached *Exemption Form Instructions* (JGM406) and *Exemption Form* (JGM401) for your next steps.

---

## **Exemption Form Instructions (JGM406)**

Minn. Stat. §§§ 550.143, subd. 3b; 551.05, subd. 1c; and 571.912, subd. 2

**Note:** The creditor is who you owe the money to. You are the debtor.

1. Fill out **both** of the attached exemption forms in this packet.

If you check one of the lines, you should also give proof. Use proof that show that some or all of the money in your account is from one or more of the protected sources. This might be letters or account statements. Creditors may ask for a hearing if they question your exemptions.

**To avoid a hearing:**

- Case numbers should be added to the form.
- Copies of documents should be sent with the form.

**Notice:** You have to send copies of your bank statements for the past 60 days before the garnishment. Send them to the creditor (or to the creditor's lawyer). Keep a copy of your bank statements in case there are questions about your claim. If you don't send bank statements to the creditor (or to the creditor's lawyer) along with your exemption claim, the financial institution may give your money to the creditor. They would do this once the creditor gives them a court order saying they have to turn over the funds.

2. **Sign** the exemption forms. **Make a copy to keep for yourself.**
3. **Mail or Deliver** the other copies of the form by \_\_\_\_\_. **Both copies have to be mailed or delivered the same day.**

One copy of the form and the copies of your bank statements go to:

Creditor's Name: \_\_\_\_\_

(or creditor's lawyer's name)

Street Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_  
Email: \_\_\_\_\_  
One copy goes to:  
Bank's Name: \_\_\_\_\_  
Street Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_  
Email: \_\_\_\_\_

### How The Process Works

**If You Don't Send in the *Exemption Form* and Bank Statements:**

14 days after the date of this letter some or all of your money may be turned over to the creditor. This happens once they get an order from the court telling the bank to do this.

**If You Do Send in the *Exemption Form* and Bank Statements:**

Any money that is NOT protected can be turned over to the creditor once they get an order from the court.

**If the Creditor Does Not Object to Your Claimed Exemptions:**

The bank should unfreeze your money 6 business days after they get your completed form. If they don't, ask the creditor or the creditor's lawyer to send a release letter to the bank.

**If the Creditor Objects to your claimed exemptions:**

The money you said is protected on the form is held by the bank. The creditor has 6 business days to object (disagree) and ask the court to hold a hearing. You get a *Notice of Objection* and a *Notice of Hearing*.

The bank holds the money until a court decides if your money is protected or not. Some reasons a creditor may object are because you didn't send copies of your bank statements or other proof of the benefits you got. Be sure to include these when you send your exemption form.

You may want to talk to a lawyer for advice about this process. If you are low income you can call Legal Aid statewide at 1(877) 696-6529.

### Warnings and Fines

If you claim that your money is protected and a court decides you made that claim in bad faith, they can order you to pay costs, actual damages, lawyer fees, and a fine up to \$100. Bad faith is when someone does something wrong on purpose.. For example, it may be bad faith if you claim you get government benefits and you don't.

If the creditor made a bad faith objection to your claim that your money is protected, the court can order them to pay costs, actual damages, lawyer fees, and a fine up to \$100.

---

**State of Minnesota**

**District Court**

County of: \_\_\_\_\_

Court File Number: \_\_\_\_\_

Judicial District: \_\_\_\_\_

Case Type: \_\_\_\_\_

\_\_\_\_\_  
Creditor's full name

vs.

\_\_\_\_\_  
Debtor's full name

and

\_\_\_\_\_  
Third Party (Bank, Employer, or other)

### **Exemption Form (JGM401)**

Minn. Stat. §§§ 550.143, subd. 3c; 551.05, subd. 1d; 571.912, subd. 3

#### **A. How Much Money is Protected (exempt)**

I claim **all** of the money being frozen by the bank is protected.

I claim **some** of the money is protected. The amount I claim is protected is \$ \_\_\_\_\_

#### **B. Why the Money is Protected**

My money is protected because I get it from one or more of the following places: (Check all that apply)

**Earnings (Wages) – All or Some** of my wages may be protected.

**Some** of my wages are protected because they were only deposited in my account in the last 20 days.

For wages that were deposited in your account within the last 20 days, the amount protected is whichever is more:

- 75% or more of your wages (after taxes are taken out), or
- The current minimum wage times 40 per week. You can find the current minimum wage online at [www.dli.mn.gov/minwage](http://www.dli.mn.gov/minwage).

**All** of my wages are protected because:

- I get government benefits (a list of government benefits is on the next page)
- I am getting other assistance based on need
- I have gotten government benefits in the last 6 months
- I was in jail or prison in the last 6 months

If you check one of these 4 boxes, your wages are only protected for 60 days after they are deposited in your account. You **MUST send the creditor copies of bank statements** that show what was in your account **for the 60 days right before the bank froze your money.**

**Government Benefits**

Government benefits can include many things. For example:

- MFIP** – Minnesota Family Investment Program
- SNAP** – Supplemental Nutrition Assistance Program
- GA** – General Assistance
- EGA** – Emergency General Assistance
- MSA** – Minnesota Supplemental Aid
- MSA- EA** – MSA Emergency Assistance
- EA** – Emergency Assistance
- Energy or Fuel Assistance**
- Work Participation Cash Benefit**
- MA** – Medical Assistance
- MinnesotaCare**
- Medicare Part B** - Premium Payments help
- Medicare Part D** - Extra
- SSI** – Supplemental Security Income
- Tax Credits** – federal Earned Income Tax Credit (EITC), MN Working family credit
- Renter’s Refund** (also called Renter’s Property Tax Credit)

List the case number and county for every box you checked:

Case Number: \_\_\_\_\_ County: \_\_\_\_\_

Case Number: \_\_\_\_\_ County: \_\_\_\_\_

Case Number: \_\_\_\_\_ County: \_\_\_\_\_

**Government benefits also include:**

- Social Security benefits
- Unemployment benefits
- Workers’ compensation
- Veterans’ benefits

If you get any of these government benefits, include copies of any documents that show you get them.

I get other assistance based on need that is not on the list. It comes from:

\_\_\_\_\_

Make sure you include copies of any documents that show this.

**C. Other Protected Funds**

The money from these things are also completely protected after they are deposited in my account.

- Child Support
- A retirement, disability, or accident pension or annuity
- Earnings of my child who is under 18 years of age
- Payments to me from a life insurance policy
- Money paid to me from a claim for damage or destruction of property. Property includes household goods, farm tools or machinery, tools for my job, business equipment, a mobile home, a car, a musical instrument, a pew or burial lot, clothes, furniture, or appliances.
- Death benefits paid to me

I give my permission to any agency that has given me benefits to give information about my benefits to the creditor named above or to the creditor's lawyer. The information will **only** be if I get assistance, or if I have gotten assistance in the past 6 months. If I was an inmate in the last 6 months, I give my permission to the correctional institution to tell the creditor named above or the creditor's lawyer that I was an inmate there.

**You must sign this form and send it back to the creditors lawyer (or to the creditor, if there is no lawyer) and the bank. Remember to include a copy of your bank statements for the past 60 days. Fill in the blanks below and go back to the instructions to make sure you did it correctly.**

I mailed or delivered a copy of this form to the creditor's lawyer (or to the creditor, if there is no lawyer) at the address listed below.

Creditor's Signature: \_\_\_\_\_  
(or creditor's lawyer's signature)

Creditor's Name: \_\_\_\_\_  
(or creditor's lawyer's name)

Street Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email: \_\_\_\_\_

I also mailed or delivered a copy of this exemption form to my bank at the address listed below:

Bank's Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email: \_\_\_\_\_

Date: \_\_\_\_\_

Debtor's Signature: \_\_\_\_\_

Debtor's Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

## Monthly Budget Chart

<b>MONTHLY INCOME</b>	
-----------------------	--

<b>BASIC MONTHLY EXPENSES</b>	
Rent / House Payment	
Property Taxes & Insurance	
Heat	
Electric	
Phone	
Water / Trash	
Home Maintenance (cleaning, repairs)	
Car Payment	
Car Insurance (divide by 12 months)	
Car Maintenance	
Car Registration (divide by 12 months)	
Gas/Parking	
Bus Fare	
Child Support	
Child Care/Babysitting	
Food/Groceries	
Children's School Supplies	
Medical Bill Payments	
Debt Repayment	
Laundry	
Other	
<b>TOTAL BASIC EXPENSES</b>	

<b>FLEXIBLE EXPENSES</b>	
Restaurants/Fast Food	
Beer, Wine, Liquor	
Your Clothes	
Children's Clothes	
Cable TV	
Gifts (Birthday, Christmas, etc.)	
Movies, Videos	
Entertainment	
Haircuts, Beauty	
Lottery/ Bingo, Gambling	
Cigarettes	
Other	
Other	
Other	
Other	
<b>TOTAL FLEXIBLE EXPENSES</b>	

<b>TOTAL EXPENSES</b> (add totals on front and back)	
---	--

Subtract your TOTAL EXPENSES from your monthly income. If your total expenses are higher, you need to start spending less. Start by cutting back on things on your flexible expenses list, maybe eat out less or cut off your cable TV.



## Credit Reports

Everyone in the US can get free annual credit reports at [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com).

### What are credit reports?

Credit reports are done by companies called credit reporting companies. They collect information about your history of payments on bills and loans. If a car dealer, bank, landlord, credit card company, or other business is thinking about doing business with you, they can buy a credit report. They buy the report from a credit reporting company. They do this to see if you are a good risk. Some employers do a credit check on you when you apply for a job.

It is a good idea to check your credit report to make sure the information is correct. If there are things that are wrong in your report, it could make it hard for you to get an apartment or job.

You have to be told if a credit report has been used against you. Anyone who uses a credit report against you – for example, to deny an apartment, a job, or a loan – has to tell you in writing the name, address, and phone number of the credit reporting company that made the report.



### Can I get a copy of my report?

The law says you can get a free copy of your credit report once every 12 months from each of the 3 big credit reporting companies. But, since COVID, each of the 3 companies lets you get a free copy of your credit report more often--Once every week.

There are also times when you can get your report for free because of something that has happened. You can get another free copy if:

- anyone has used it against you in the last 60 days, or
- you are unemployed and plan to look for a job within 60 days, or
- you are getting public assistance, such as MFIP, SSI, GA, MA, or food stamps, or
- your report is wrong due to fraud, including identity theft

The 3 big credit reporting companies are Equifax, Experian, and Trans Union. They have a central website, a toll-free number, and a mailing address so you can get your report easily. You can ask for your report in the way that works best for you:

- **You can ask for it online** at [www.annualcreditreport.com](http://www.annualcreditreport.com). Doing it online is the fastest. You get your report right away. You can also download a form to fill out and mail in.

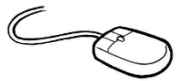
- You can call 1 (877) 322-8228 to give your information on the phone and they mail your report to you.

**You can send in a written request.** Write a letter or use the form “*Free Credit Report Request*” attached. Make sure you give your full name, mailing address, social security number, and your date of birth. Mail your completed form or letter to:

Annual Credit Report Request Service  
PO Box 105281  
Atlanta, GA 30348-5281

- You can [create a Credit Report Request letter online](#).

Go to [www.lawhelpmn.org/forms](http://www.lawhelpmn.org/forms).



- Look under “Debts, Fees & Deposits”
- Click on “Credit Report Request”

**Remember:** Your credit report has personal information. If you are using a public computer, make sure your information is erased when you are done to protect against identity theft. Ask the librarian or someone else you trust if you don’t know how to do this.

It is best to get a copy from all 3 credit reporting companies to make sure the information is accurate. This is important because one credit reporting company may have different information than the others. Make sure you mark on the form or write in your letter if you want a report from all 3 credit reporting companies.

Going through Annual Credit Report Service is the best way to get your credit report for free. Each credit reporting company offers free reports, but they also sell credit reporting products. It can be confusing to understand what you are asking for. You may end up buying something you don’t need. Especially if the reporting company collects a credit card number as a way to verify your identity. Other companies also offer to help with your credit report but many of these are scams or people trying to steal your credit information.

### **How do I fix a mistake on my credit report?**

Mistakes are common in credit reports. If you find a mistake in yours, do this:

1. Contact the credit reporting company in writing, by phone, or report the mistake through their website. Tell them what the mistake is.
2. Give them all the information you can. Information like the name of the creditor, the account number, and the reason why the report is wrong. Each reporting company has a list of required information they need to find your account, so make sure you give details.
3. If you are in the middle of a dispute with a business, tell the credit reporting company and have them report it as a disputed debt on your credit report.
4. If you are mailing the dispute, send a copy of the credit report you got with your letter. Circle the mistake on it, and write next to it, "Please Remove." Keep a copy of the report for yourself.
5. Send copies of any other papers that help explain the situation.
6. Date your letter or make a note of when you called. If you did it online keep a confirmation page or other proof. Make sure you keep copies of your credit report and your letter for yourself.
7. **Also, send a copy of the letter and credit report to the creditor/business that gave the wrong information and ask them to stop reporting wrong information about you.** For example, if the credit report says you owe money to Smith Department Store, and you do not, write to the credit reporting company **and** write to Smith Department Store. They may agree to stop reporting it. They might also give you a letter saying they made a mistake. Then you can send that letter to the credit reporting companies, so they can fix your report.



If the company **doesn't** agree they made a mistake the debt probably stays on your credit report. But it should say on your report that you dispute the debt. Send the credit reporting company a 100 word or less explanation and they have to include that with your report.

## What happens after I send in a correction?

- The credit reporting companies have to check the things you say are wrong. Usually within 30 days. They contact the company or person giving out the information – for example, an old landlord or creditor. The company or person has to check your evidence and report back to the credit reporting company. The credit reporting company has to give you a written report of its investigation. If they change your report, they have to also give you a copy of the new report.
- Your credit report lists all the businesses that got the report in the last 6 months. If you correct a mistake, you can ask the credit reporting company to send a corrected report to everyone who got the one with mistakes.
- If the credit reporting company won't remove an item that is incomplete or wrong, you can send a statement of up to 100 words telling your side of the story. The bureau has to put that statement in all future reports.



If the credit reporting company or the company reporting your information to them doesn't follow these rules, contact the Consumer Finance Protection Bureau (CFBP). You can contact them on their website, by phone or by mail at

CFBP  
P.O. Box 27170  
Washington DC 20038

(855) 411-2372  
[www.consumerfinance.gov/complaint](http://www.consumerfinance.gov/complaint)

**Note:** It is very common for companies who report to credit reporting companies to do poor investigations. Especially when the company is a debt collector or bought the debt from an original lender. The CFPB gets a response from the company you are complaining about. Then they post your complaint and the company's response on their website. The CFPB may also investigate and fine companies who don't follow the rules because of your complaint.

**You can sue the company making the false report.**

## How long do bad debts stay on my credit report?

In general, a bad debt stays on your report for 7 years from the date your debt was charged off by the lender. They often make mistakes on reporting that date. This can cause a debt to be reported longer than it should be. But:

- They can report a bankruptcy for 10 years.
- They can report negative information if you are applying for \$150,000 or more in credit or life insurance, or for a job that pays over \$75,000. It doesn't matter how old the information is.

### **If I owe money for a medical debt, is that reported?**

No. Minnesota law says that medical debt can't be reported to a consumer reporting agency.

### **What are some common errors on credit reports?**

- If you have a common name (like "John Smith"), your credit report might list the debts of other people with the same or similar name. If you are named after a relative, your report might list their debts. You can clear this up by sending them proof of your social security number, date of birth, or addresses.



- The business might refuse to remove the negative information because they think you owe the money. If this happens, you need to go to court to prove that you do not owe it. You may not owe the money if the business was guilty of fraud, deception, or broke consumer protection laws.

For example, if a car dealer lied to you about the mileage on the car when they sold it to you, then you might have a defense against the debt. You might be able to get it removed from your credit report. If you think that you might have a defense against the debt, talk to a lawyer.

- Companies sometimes make a mistake and change the charge off date that is reported to the reporting company. The reporting company uses this date to decide how long to report your debt. They may report it longer than they should if that date is wrong. For example, sometimes a company buys your debt from another lender. Because of that, they don't know the right date. In that case they can't make up a date and should not be reporting your debt.

### **What can I do about debts that I owe?**

Bad debts can keep you from buying a house, getting a credit card, or renting an apartment. Creditors may be able to garnish your wages or bank accounts. If you can make a plan to pay off

the debt, do it. But your first priority is taking care of your current situation – paying your rent or mortgage and your utility bills in full and on time.

On the other hand, not every old debt stops you from getting credit. A bank or other business might care more that you have a steady job than that you have an old debt.

Even if you agree that you owe the money, you may want to explain why. Maybe you were laid off. Maybe your ex-husband ran up a big bill right before you divorced him. Maybe you had a serious illness and no health insurance. Write up a statement explaining the situation and give it to businesses or landlords that are getting credit reports about you.

If you can afford to pay off old debts, you may want to work out a payment plan. To get help with this, call the Consumer Credit Counseling Service at 1-(800) 431-8157.

If you want to buy a house, talk to a home ownership program. They can help you work on your credit. To find someone to help, call United Way at 2-1-1 statewide or 800-543-7709. You can also send a text message with your zip code to 898-211 or chat online at [www.211unitedway.org](http://www.211unitedway.org).

In some cases, you should think about bankruptcy. Bankruptcy makes sense if you have no way to catch up on your bills, and your creditors are taking action against you – like garnishing your wages or bank accounts.

### **What is a “credit repair” scam?**

Watch out for “credit repair” companies that offer to help you hide bad credit or “create a new credit identity.” It is a crime to make false statements on a loan or credit application or to misrepresent your social security number. Some credit repair companies advise people to get Employer Identification Numbers and use them instead of social security numbers. If you do this to hide bad credit, it is illegal. In general, beware of any group offering “credit repair.” They may charge you money for bad or illegal advice or for things you could do yourself or with the help of a non-profit credit counseling service for free.

***Fact Sheets are legal information NOT legal advice. See a lawyer for advice.***

*Don't use this fact sheet if it is more than 1 year old. Ask us for updates, a fact sheet list, or alternate formats.*

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# FREE CREDIT REPORT REQUEST

Use this form to ask for your free (once every 12 months) copy of your credit report.

Full Name:

(First, middle initial, last) \_\_\_\_\_

Current Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Previous Address (if you have been at your current address for less than 2 years)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date of Birth:    /    /                      Social Security # \_\_\_\_\_

I am requesting my free copy of my credit report that I can get every 12 months.

- I want a credit report from all three credit reporting companies.
- I want a report from Equifax
- I want a report from Experian
- I want a report from Trans Union

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Mail this completed form to: Annual Credit Report Request Service  
PO Box 105281  
Atlanta, GA 30348-5281

# CREDIT REPORT REQUEST

Use this form to get copies of your credit report if you already got your free one.

Full Name:

(First, Middle Initial, Last) \_\_\_\_\_

Current Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Previous Address (if you have been at your current address for less than 2 years)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date of Birth: \_\_\_\_ / \_\_\_\_ / \_\_\_\_ Social Security # \_\_\_\_\_

Payment:

Check or money order for \$ \_\_\_\_\_

I am entitled to a free copy because:

- I get public assistance, or
- I am unemployed and plan to seek employment within 60 days, or
- My report is inaccurate due to fraud
- I was denied credit based on your report in the last 60 days  
(I am sending a copy of the denial letter)

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Mail this completed form to the Credit Reporting Company you want to contact. Use the address listed in this fact sheet. Don't forget to include a copy of your photo ID and a copy of a current utility bill or other document that shows your name and address.



**Education for Justice**  
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[www.mnlegalservices.org](http://www.mnlegalservices.org)